

Corporate Partnerships for Entrepreneurship: Building the Ecosystem in the Middle East and Southeast Asia



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December 2010 | Working Paper No. 62

A Working Paper of the:
Corporate Social Responsibility Initiative

A Cooperative Project among:
The Mossavar-Rahmani Center for Business and Government
The Center for Public Leadership
The Hauser Center for Nonprofit Organizations
The Joan Shorenstein Center on the Press, Politics and Public Policy

Citation

This paper may be cited as: Murphy, Shannon. 2010. "Corporate Partnerships for Entrepreneurship: Building the Ecosystem in the Middle East and Southeast Asia." Corporate Social Responsibility Initiative Working Paper No. 62. Cambridge, MA: John F. Kennedy School of Government, Harvard University. Comments may be directed to the author.

Corporate Social Responsibility Initiative

The Corporate Social Responsibility Initiative at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance and strategy, public policy, and the media. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors.

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Shannon Murphy

“On economic development, we will create a new corps of business volunteers to partner with counterparts in Muslim-majority countries. And I will host a Summit on Entrepreneurship this year to identify how we can deepen ties between business leaders, foundations and social entrepreneurs in the United States and Muslim communities around the world...

All these things must be done in partnership. Americans are ready to join with citizens and governments; community organizations, religious leaders, and businesses in Muslim communities around the world to help our people pursue a better life.”

President Barack Obama, A New Beginning, Cairo University, Cairo, Egypt, June 4, 2009

I. INTRODUCTION

One of the interesting elements of President Barack Obama’s statement on economic development in his 2009 Cairo speech is his inclusion of business volunteers as facilitators of development. The President’s remarks underscore the degree to which the private sector has become a critical player in development. Many firms have recognized that as the global economy evolves, the sophistication and skill level of consumers, workers and business partners shape not only national standards of living, but feed firm innovation, productivity and profitability as well. In particular, a growing number of corporations are joining governments and public sector actors in building and improving ecosystems to facilitate entrepreneurship, which itself is increasingly identified as a catalyst for economic and social development. Corporations are working strategically to build the culture, develop skills, provide financial resources and create markets to shape environments in which entrepreneurship can flourish.

A summit on entrepreneurship aimed at building cross-sector partnerships, and increasing collaboration among US citizens and members of Muslim communities across the globe is timely. The relationship between entrepreneurship, job creation and economic development is well documented, making it a relevant issue for anyone concerned with employability, operating environment efficiency or business climate concerns. The impending “youth bulge”

in both the US and in many Muslim majority regions across the globe, and the consequent need to create greater numbers of sustainable jobs, only multiplies its importance. Much research has tracked the net job creation in the US to entrepreneurship. And the impact of entrepreneurship extends beyond the financial – social entrepreneurs have become increasingly visible and important players in creating public value and social change. A 2009 report by the Monitor Group underscored this evolution: “Over time, entrepreneurship becomes the principal mechanism through which economies evolve and regenerate. Both developed and developing economies would stagnate without it.”¹

The influence of governments and public sector actors on entrepreneurship has been well explored. Governments facilitate (or obstruct) entrepreneurship by setting policies and regulations that directly impact an entrepreneur’s ability to set up a firm, attract capital, and hire, retain or fire employees. The role of governments and nonprofits in creating an efficient regulatory environment, facilitating capital exchange, and helping populations build skills and develop business acumen is an important one. It has also been deeply analyzed, with much of the research and recommendations consequently geared towards policymakers and other public actors.

The efforts and abilities of private sector actors – and specifically large firms – to facilitate entrepreneurship have been less well documented and explored, but are no less important. Particularly because of their global reach and considerable footprints, corporations have the ability to spread good practices across boundaries in a way that few institutions or organizations can. The United Nations Conference for Trade and Development reports there are 82,000 transnational corporations (TNCs), with 810,000 foreign affiliates, and 77 million employees.² In fact, the 100 largest TNCs account for 4% of world GDP.³ President Obama’s inclusion of the business community in his Cairo speech only reinforces the idea that contributions by these types of global players are necessary to fully and effectively support economic development.

In response to the President’s call in Cairo, and on the occasion of the Presidential Summit on Entrepreneurship, this article examines efforts by large firms to encourage entrepreneurship in the Middle East and Southeast Asia. It aims to: 1) provide examples that provoke thought and stimulate conversation on corporate contributions to support entrepreneurship, and 2) offer recommendations for deepening ties in this area between businesses, foundations and social entrepreneurs, one of President Obama’s stated aims of the Summit. It will inform further research on the corporate/entrepreneurial relationship, and to that end, we would truly value feedback, comments or suggestions.

Entrepreneurship correlates with higher rates of innovation, job creation and merit-based achievement – all benefits that accrue to businesses. It is our hope that this paper highlights the efforts by a growing number of corporations in creating new products and launching initiatives designed to encourage entrepreneurial mindsets and build skills that bolster enterprise creation and success.

II. THE CASE FOR ENTREPRENEURSHIP

The economic benefits of entrepreneurship have been well documented.⁴ Klaus Schwab writes in his forward to the World Economic Forum's 2009 report on entrepreneurship education, "Entrepreneurship is the engine fuelling innovation, employment generation and economic growth. Only by creating an environment where entrepreneurship can prosper and where entrepreneurs can try new ideas and empower others can we ensure that many of the world's issues will not go unaddressed."⁵ The bulk of net job creation in the U.S. between 1980 and 2005 is attributable to start up ventures less than five years old, and countries like Ireland, Taiwan and Singapore have witnessed considerable economic growth in recent decades in considerable part due to entrepreneurial activity.⁶

For the private sector, increased entrepreneurship and firm creation can translate directly to value creation for existing firms. Businesses have been prompted to support entrepreneurship as a means to develop new products or markets, address human resource concerns or achieve corporate citizenship goals for increased community engagement. The products created to improve a company's bottom line while facilitating entrepreneurship are diverse and span a variety of industries: banks have crafted microfinance or small business loans, as well as products that support microfinance institutions (MFIs), technology companies have developed software, hardware or consulting services that reach entrepreneurs from conception through launch, and consumer goods companies are collaborating with suppliers to source and produce new goods for consumers. Large firms are also supporting and strengthening networks for entrepreneurs to connect with each other or with potential investors, mentors or partners. Motivations for entrepreneur engagement and facilitation for companies interviewed for this report include: expanding the consumer base, developing new markets, and strengthening the local operating environment, among others.

But the benefits of entrepreneurship extend beyond the economic. In addition to traditional commercial entrepreneurship, in which an entrepreneur assumes the financial risk and benefit of initiating a new business venture, social entrepreneurship and youth entrepreneurship are increasingly relevant to the development agenda in many communities. What the Monitor Group reported in 2009, that "Entrepreneurship matters in all its forms," is clearly the case.⁷ It is not only an engine of innovation, efficiency and creativity in the market, but increasingly, entrepreneurial principles are being leveraged to solve complex public problems.

Social and youth entrepreneurship have the potential to each play a significant role in building human capital, and decreasing poverty and unemployment. The World Economic Forum's 2009 report on entrepreneurship education notes, "If we are to attain the Millennium Development Goals of reducing poverty, we must develop human capital in all countries and societies, in remote regions as well as major cities, and in all sectors, to address both the opportunities and major challenges we face in the world. While the contexts around

the world vary dramatically, entrepreneurship education, in its various forms, can equip people to proactively pursue those opportunities available to them based on their local environments and cultures.”⁸

Corporate engagement with entrepreneurs at this point largely occurs through core business activities and value chains. Developing new products and identifying and targeting new markets can increase revenue, improve operating efficiencies, or bolster community engagement. A 2009 report by the International Business Leaders Forum (IBLF) notes, “Corporate support for entrepreneurship and enterprise development appears to be a growing trend, especially in the developing world, and is often linked to corporate value chains. There are a number of benefits that companies gain from extending this support – particularly when companies develop innovative processes, products and business models.”⁹ Some large firms are engaging with entrepreneurs through philanthropic or social investments, or in public policy dialogue, advocacy and institution building. But much engagement remains within a corporation’s own value chain.¹⁰

A 2007 Harvard Corporate Social Responsibility Initiative report on business linkages notes:

“In developing countries, business linkages with local small-medium enterprises (SMEs) – including procurement, distribution and sales – offer large firms an avenue through which to address some of these concerns [about local operating efficiency, optimization of cost, quality, flexibility, management of social or political controversy, or preservation of the ‘social license to operate’]. These relationships can allow large firms to reduce input costs while increasing specialization and flexibility. They can also increase local integration and ‘rooting’ providing access to local knowledge and, by spurring growth in the local SME sector, bring about positive social and economic impacts in the wider community.”¹¹

Commercial Entrepreneurship

Commercial entrepreneurship is what is immediately called to mind for many when they hear the word “entrepreneurship.” This form of entrepreneurship is when an individual assumes financial risk and reward for initiating, launching and running a commercial enterprise. Motivations for commercial entrepreneurship can range from, for example, necessity, where an individual sells used clothing in a local market due to an inability to secure formal employment, to opportunity entrepreneurs who are exploiting market gaps and creating high-growth firms. All of these forms of entrepreneurship are relevant, from securing new livelihoods on a household level to fueling considerable growth for a state or region.

Commercial entrepreneurship is regarded as a considerable engine of innovation, job creation, growth and prosperity. Consequently, it is increasingly of interest to policymakers, development and donor agencies, and private sector firms alike. Currently, commercial entrepreneurs are the primary beneficiary/recipient of entrepreneurship initiatives by private companies. In developing countries in particular, many of these companies have a broad development impact. One example raising the profile of entrepreneurs in the Middle East is the Saudi Fast Growth 100 initiative, launched by AllWorld Networks and the Saudi Arabian General Investment Authority (SAGIA), to identify and rank the fastest growing commercial enterprises in the Kingdom. All World is now creating fast growth lists for entrepreneurs in Jordan, Egypt, Lebanon, Morocco, Tunisia and the UAE as part of the Arabia 500.

Social Entrepreneurship

A secondary, but increasingly important area of engagement between large firms and entrepreneurs is through social entrepreneurship. Social entrepreneurs apply traditional commercial entrepreneurial principles and practices to solve public problems. The recent Brookings Institution report *Social Entrepreneurship in the Middle East* notes, “Social enterprises can help create jobs, devise innovative development solutions, and inspire young people to act as citizens who are both economically productive and socially engaged – all with the ultimate aim of promoting human dignity and greater social equity.”¹² The report identifies four types of social enterprise: 1) Leveraged nonprofits, which capitalize on the interest of a variety of stakeholders to operate and to secure ongoing support based on a diversified portfolio of funding; 2) Enterprising nonprofits, which have a self-financing component contributing to the organization’s sustainability; 3) Hybrid enterprises, which combine aspects of the for-profit and nonprofit legal models, either through an innovative legal structure or by using a for-profit subsidiary to support the social activities of the nonprofit; and 4) Social businesses are those that can demonstrate market-level financial performance and competitiveness while expressing an equal or greater commitment to a social aim.¹³

Social entrepreneurs range from Nobel Prize winner Mohammad Yunus, founder of Grameen Bank, to Matt and Jessica Flannery, founders of Kiva.org or Ziad al Refai, founder of Tamweelcom. Each of these entrepreneurs and ventures has deployed business methods and processes with considerable results. Grameen Bank has disbursed more than \$7 billion in small loans to the very poor. Kiva.org has disbursed more than \$110 million in loans to small scale entrepreneurs globally. Tamweelcom, winner of a 2009 Social Entrepreneurship Award from the Schwab Foundation, has disbursed more than \$75 million to over 100,000 microentrepreneurs in the Middle East.

Youth Entrepreneurship

For many countries, increases in youth entrepreneurship will not be optional. Half of the world's population is under 25 years of age, and the International Labor Organization (ILO) notes that although today's youth are the most educated generation ever, they comprise about 40% of the world's total unemployed, though they are only a quarter of the total working age population (ages 15 and up).¹⁴ The youth population is growing at a faster rate than youth employment opportunities, and over the next decade, more than 1 billion people will become eligible to enter the workforce.¹⁵

Gainful employment is important for the full inclusion of a person into society. Failure to find decent employment creates a sense of "vulnerability, uselessness and idleness" among young people that can lead to social or economic marginalization, and potential social or political unrest and instability.¹⁶ Thus, youth labor market integration will be an important issue for many nations, and the firms that operate there, in the coming years. Youth entrepreneurship provides one possible solution. "Youth entrepreneurship is not essentially different from entrepreneurship among adults. It involves engaging in socially useful wealth creation through application of innovative thinking and execution to meet consumer needs, using one's own labour, time, and ideas."¹⁷ This is an area of growing importance, with engagement from organizations like The Brookings Institution's Middle East Youth Initiative, International Youth Foundation, ImagineNations Group, LiveWire, Networks for Teaching Entrepreneurship (NFTE) and Youth Business International.

III. MODES OF CORPORATE ENGAGEMENT

To build a culture of entrepreneurship, contributions by diverse actors are needed. No one approach, be it improving the regulatory environment, infusing capital into a market or developing skills and business acumen, on its own is sufficient for increasing firm creation. The roles of government and public sector actors in facilitating entrepreneurship have been well defined. Governments set the regulatory framework and can provide crucial legitimacy for supporting a cultural entrepreneurial mindset. Public sector actors help to build skills and develop employability. Government is essential, but the private sector is a powerful and somewhat unacknowledged source for developing entrepreneurship. The considerable footprint of many large firms provides opportunities for further exploration and suggests inclusion of corporations in the broader entrepreneurship development agenda. As outlined earlier, companies are engaging with entrepreneurs through: a) core business activities and value chains, b) philanthropic or social investment, and c) public policy dialogue and advocacy.

Seeing a business benefit, large firms in a variety of sectors have begun developing products or support initiatives aimed at enabling entrepreneurship. Exact interventions vary, dependent on industry sector or local conditions. ICT companies, like Microsoft, Intel and Cisco, have crafted products, programs or educational curricula to nurture enterprise creation from nascent stages through formation – from supporting student competitions to creating a network of existing entrepreneurs of launched enterprises to share good practices and gain visibility with potential investors, mentors or partners. Citibank and Standard Chartered have developed financial products and resources for small, medium and micro entrepreneurs to expand their markets and increase profits. Extractives companies like ExxonMobil and Chevron are working to develop business acumen in the communities where they operate, doing skills training and supporting business linkages. Consumer goods companies like Nestle, Unilever, SAB Miller and The Coca-Cola Company are maximizing opportunities for entrepreneurs along their supply chains through local sourcing, and supplier training and development.

The Monitor Entrepreneurship Benchmarking Survey gave voice to the most pressing needs of entrepreneurs in setting up ventures. The entrepreneurs surveyed reported four important inputs and environmental conditions that are critical to enterprise creation and success: 1) Proper mindset, 2) Accessible skills development, 3) Available funding and financing strategies, and 4) Appropriate taxes and incentives.¹⁸ As previously stated, large firms are responding to these needs through core business activities, philanthropy or corporate citizenship engagement, or a hybrid approach. The five modes of corporate engagement outlined in this article respond approximately to these needs – however, public policy dialogue and advocacy to help establish appropriate tax rates and financial regulatory incentives are not explored here.

Five areas where corporate engagement can be particularly beneficial are:

a. *Creating a culture of entrepreneurship.* An environment that is tolerant of entrepreneurial failure, where entrepreneurs are valued and looked to as role models and where entrepreneurship is a common theme of educational curricula are important foundational characteristics of entrepreneurial cultures. Corporations can work to create cultures of entrepreneurship by raising awareness and providing legitimacy for an entrepreneurial mindset by hosting business plan competitions, such as Microsoft's Imagine Cup, Intel's Intel+UC Berkeley Technology Entrepreneurship Challenge (IBTEC), or Aramex's Student Company Competition. Building a culture of entrepreneurship should begin before entrepreneurs even conceive of a venture – by simple arithmetic targeting students through competitions could increase the pool of those considering an entrepreneurial path. The media also play an important role in shaping local mindsets regarding entrepreneurship through print, visual or social media.

b. *Building skills and capacity for entrepreneurship.* A welcome operating environment will be meaningless without individuals who possess the right skills to start and run a business. Companies like Standard Chartered (SC) and KPMG help to build business acumen through training initiatives like SC's Women in Business online resource or KPMG SA's Saudi businesswomen training program. Microsoft's BizSpark program offers software resources and technical support to software start ups, as well as the opportunity for these entrepreneurs to profile their enterprises in an online network for potential partners and investors. The Cisco Entrepreneurship Institute provides support for entrepreneurs from conception through launch in nearly 10 countries and online with general business skill curricula and start up information. Corporations also facilitate skills building generally by partnering with schools, or developing and deploying entrepreneurially focused, locally relevant curricula. Chevron supported the creation of a polytechnic institute in Aceh, Indonesia (Politeknik Aceh), to facilitate engineering and technology skills building.

c. *Mobilizing financial resources for entrepreneurs.* Access to capital is a basic need for nearly all entrepreneurs. Citibank and Standard Chartered operate microfinance practices to deploy nearly \$500 million in loans to business owners, and work to build the capacity of microfinance institutions, which play a key intermediary role. Another example is Grameen-Jameel, founded to facilitate microfinance and micro business growth through Arab states. Grameen-Jameel offers financing through a \$50 million fund, along with support via financing, information technology, human resource management and training and finance, accounting and operations support to its clients.

d. Establishing market linkages for entrepreneurs. For large firms, linkages with other small or medium enterprises can help improve local procurement, sourcing or distribution of products. In the West Bank, the National Beverage Company Coca-Cola/Cappy, collaborates with its suppliers, distributors and retailers to create value and increase efficiency throughout its supply chain – from creating new products to building operational capacity. Nestle, as another example, has begun sourcing milk locally from nearly 150,000 Pakistani farmers, and a study on Unilever in Indonesia by Oxfam shows that by supporting such linkages the company created approximately 90 additional jobs for each direct job created in the company.¹⁹

e. Strengthening the ecosystem of entrepreneurship. The entrepreneurship ecosystem relies on a broad array of inputs and conditions to fully flourish. This includes expanding the number of individuals for whom enterprise creation is of interest, nourishing a mindset that supports risk taking, providing access to relevant technologies and systems for venture creation, building the skills of individuals in business acumen, supporting business linkages with entrepreneurs who have launched ventures, and supporting public policy.

The following brief profiles highlight efforts by corporate actors to support entrepreneurship in the Middle East and Southeast Asia. This list aims to be illustrative of the diversity of firms, industries, geographies and types of engagement involved in these initiatives. These examples are drawn from ongoing research the Corporate Social Responsibility Initiative is completing on corporate contributions to human capital development. The report is forthcoming in the second half of 2010. For further reports on entrepreneurship and human capital, access the Corporate Social Responsibility Initiative's series on Expanding Economic Opportunity. We are grateful to all the companies who have shared their experiences, successes, challenges and insights with us.

Creating the Culture of Entrepreneurship: Aramex and Injaz

Because of their relative lack of work and life experience, younger people may have particular difficulty accessing capital, finding strategic business partners, or even acquiring the basic know-how needed to successfully run a business. Entrepreneur education programs targeted specifically to youth can facilitate the development of skills, but particularly the attitudes, needed to successfully start and run a business.

In 2007, Aramex, a transportation and delivery enterprise in North Africa and the Middle East, sponsored a Student Company Competition to develop the leadership qualities and skills of students from across the region between 15 and 20 years old. The Competition was designed to facilitate talent development in the region. Over the course of 10 weeks, culminating in a regional challenge, students created and ran their own start-up companies.

Students participated in a series of classes on entrepreneurship and business, staffed by Aramex volunteers who offered practical training and insight for professional development. Students developed a variety of skills including: creating a business plan, leadership, teamwork, and basic finance. They subsequently competed against other teams, and winners were selected on the basis of best conceptualization and implementation of their businesses.

Injaz works with companies and governments in 12 countries across the Middle East and North Africa region. Aramex partnered with Injaz (the Middle Eastern affiliate of Junior Achievement) to work with local schools and colleges throughout the competition. Local competitions were piloted in Oman, the UAE, Egypt and the West Bank/Gaza, with national winners competing (in addition to winners from Kuwait and Jordan) in a regional final in Amman.

The first Student Company Competition garnered significant media attention, which can lay a foundation for creating the local social acceptance and legitimacy for taking risks in entrepreneurial activity. The 2007 competition was so successful that Aramex and Injaz expanded for 2008 to include four months of coursework and had participants from Jordan, West Bank/Gaza, Lebanon, Kuwait, Oman, Saudi Arabia, Qatar, Bahrain, UAE and Egypt.

The team representing Injaz Palestine, led by Waad Al Taweel, won the inaugural competition. The team exhibited a mastery of tasks including: business planning, human resource development, pricing, supply chain management, marketing and sales. This was only two years after Injaz Palestine developed as part of a pilot program in conjunction with Save the Children.

This early success at the Student Company Competition only served to underscore the important work being done through Injaz to build local entrepreneurship education throughout the Middle East. In the West Bank and Gaza, for example, Injaz is an independent NGO that focuses on expanding economic opportunity for Palestinian youths, and is a partner of the Junior Achievement worldwide network. Injaz Palestine works with schools and private businesses to arm students in grades 8-11 with job skills to help them succeed in business or in launching their own entrepreneurial venture. Injaz recently expanded to the university-level, and is working in conjunction with four universities in the West Bank to support workforce development.

Randa Salemeah, General Manager of Injaz Palestine, and a former corporate relations executive at Jawal-Paltel, the Palestinian telecom company, says, "We believe Injaz is valuable to Palestine because not only are we preparing qualified employees for the future, but we are also serving as successful role models for our students in the present."

Mobilizing Access to Finance: Standard Chartered Bank

When Kaniz Almas Khan wanted to launch her own venture and start a beauty salon in Dhaka, Bangladesh, she needed to secure a small business loan and sought funding from the local Standard Chartered bank branch.

One of Standard Chartered's (SC) priorities is to become "the bank of choice for diverse customer groups" – including women. To achieve this, SC not only works internally to hire, retain and promote female employees (46% of the firm's workforce is currently female), but the company works to develop new products specifically targeted at women and female entrepreneurs. Women banking customers are currently a fairly untapped (and considerable potential growth) market in much of the developing world due to cultural or traditional norms, regulatory restrictions or lack of access to products and services. Standard Chartered has made inclusive business models a priority in product development.

A Business Installment Loan, for example, piloted in Bangladesh, and recently launched in Malaysia, is targeted specifically at women entrepreneurs, with lower interest rates and provision of unsecured loans. This loan is the product that helped Kaniz achieve her goal of launching a successful salon chain. Her company, Persona, has grown from 5 to 1200 employees, and Kaniz subsequently attended the 2009 Women in Business Summit in Singapore, sponsored by the bank.

"We had started modestly more than a decade ago with 300 sq. ft. premises and 5 employees, and SCB has helped us in recent years in making Persona the success it is today and to transition to our present size. When SCB Bangladesh approached us with their program 'Orjon' to support the women entrepreneurs, I agreed to become their brand ambassador without any hesitation. I was convinced that a bank

with the scope and the stature of SCB will go a long way towards promoting women entrepreneurship in Bangladesh. My participation will add value to my company as well as encourage other women to apply for this SME loan. The Business Installment Loan from SCB helped us achieve our objectives and we are glad to have been a part of the 'Orjon' success. The Women as Economic Force Summit 2009 was a tremendous source of encouragement for my organization and for me personally. The opportunity to learn from such a varied and talented group of business leaders was amazing. And, to be honored in such a way and among so many more deserving participants, was very humbling, to say the least," said Kaniz.²⁰

The Women in Business Summit that Kaniz attended also resulted in two "win-wins" for the bank. First, the Summit drew 120 female business leaders to listen, participate and network, resulting in strengthened relationships, new business opportunities and reinforcement of Standard Chartered's brand as the bank of choice for women. The second is the Women in Business online resource, which was inspired by the Summit and launched on International Women's Day in March 2010 to provide female customers and entrepreneurs with basic financial literacy and business acumen.

It is Standard Chartered's hope that women who access the Women in Business resource are inspired to launch their ventures and grow successful businesses, potentially with the support of other Standard Chartered SME loans or banking products. The Women in Business resource is currently available in eight languages. Kari Reston, Standard Chartered's Head of Global Diversity and Inclusion says, "The Women in Business Resource Centre is targeted specifically to women entrepreneurs in developing markets.

With forty to fifty percent of businesses in developing markets owned by women, and few resources developed specifically for this population, the Women in Business Resource Centre directly addresses their concerns and needs at no cost. In addition, the resource is available to everyone, not only customers of Standard Chartered Bank, whether they are men or women."

Other products to support entrepreneurship include Standard Chartered's pledge to provide \$500 million to microfinance institutions by 2011, which has already been surpassed. The bank estimates that 80% of the end users of these products are women, further broadening access to financial services who may not qualify for traditional SME loans. In addition, many country-specific programs exist, for example in Zambia, where the Bank's Support a Woman Entrepreneur Initiative is providing 10 female entrepreneurs with mentoring, financial and business planning advice, help with account opening and networking. Standard Chartered is the winner in the corporate responsibility category of the 2010 Financial Times ArcelorMittal Boldness in Business Awards.

Building Skills and Capacity for Entrepreneurship: Chevron And Cisco

Chevron – Chevron Pacific Indonesia (CPI) is working to build skills to support small and micro enterprises around Indonesia. Through its local business development program, the company offers workshops to build business acumen generally, and specifically offering training in agriculture and fisheries.

More than 4,000 small local businesses and cooperatives have participated in the program, which Chevron estimates has helped scale businesses from \$1.3 million in 2001 to more than \$114 million in 2009. The company’s Community Enterprise Development Program (created in partnership with government-owned Permodalan Nasional Madani and Baitul Mal Muamalat) provides microfinance loans and business management training to local entrepreneurs and community-based business groups.

In an effort to combine short term humanitarian recovery with long term capacity building, the Chevron Aceh Recovery Initiative works to provide members of the local Aceh community with vocational or technical skills to improve job prospects and help launch new enterprises. Since the program’s founding, more than 300 students have completed studies at Riau Caltex Polytechnic. Chevron estimates about 80 percent of graduates are now employed in Aceh. This is complemented by Chevron’s partnership with Swisscontact in supporting the Business Startup Establishment project, a hybrid offering of both microcredit and training and business development support, to help launch 1,200 micro enterprises and small businesses and create jobs for 6,000 people.

Finally, in partnership with the government of Aceh, the Aceh-Nias Reconstruction and Rehabilitation Agency, and the U.S. Agency for International Development, Chevron helped to

construct the Politeknik Aceh, a local polytechnic institution in Aceh. It officially opened in February 2009, and offers courses in electronics engineering, robotics, engineering, information technology and accounting to the school’s 450 students.

Cisco – To build the skills necessary to turn a business dream into reality, Cisco supports a number of public-private partnerships and global programs from school age through venture creation, through the Global Education Initiative, the Cisco Networking Academy, and the Cisco Entrepreneurship Institute.

For students and schools, Cisco has helped lead a number of public-private education partnerships, such as the Jordan and Egypt Education Initiatives, together with the World Economic Forum. The company works closely with Silatech in Qatar to equip youth with information technology, business development, and entrepreneurial skills, and has also partnered with the Queen Rania Center for Entrepreneurship to offer entrepreneurship and business skills training.

Cisco also provides seed funding, technology, training and technical advice, and board-level support for leading social investment funds in a number of countries, and facilitates the efforts of young entrepreneurs through its work with ImagineNations, and entrepreneurs of all ages through NGOs including Grameen, Inveneo and One Economy.

In partnership with the U.S. State Department’s Middle East Initiative, Cisco has provided internship opportunities for women from Lebanon, Jordan and Saudi Arabia, including entrepreneurship and business courses through Emory and Duke Universities. The Cisco Networking Academy, which trains individuals to

become well versed in the creation, launch and maintenance of computer networks, currently has nearly one million students in 165 countries.

Establishing Business Linkages: The National Beverage Company Coca-Cola/Cappy

Business linkages with other small or medium enterprises can help large firms improve local procurement, sourcing or distribution of products. These linkages can be particularly important in places where small and micro enterprises make up the majority of firms. For example, in the West Bank, the National Beverage Company, Coca-Cola/Cappy (NBC) supports inclusive business models to help suppliers, distributors and retailers build local capacity, strengthening the local business system and help to make the West Bank less vulnerable to shifts in access to neighboring markets.

In terms of local development, a 2007 Harvard Corporate Social Responsibility Initiative report noted, "The comparative advantage of business in expanding economic opportunity is rooted in core business interests, assets and activities, and the development multipliers they catalyze, which provide the potential for impact at scale. As a result, inclusive business models are likely to be the most effective and sustainable ways companies can contribute to expanding economic opportunity."²¹

NBC currently operates three production facilities in the West Bank and five distribution centers. Products are distributed by one of the 40 trucks in the company's delivery fleet to 8 large wholesalers/distributors, or one of 43 smaller wholesaler/distributors, which in turn service over 12,000 outlets. Of these, 4500 outlets are "direct distribution," where products are sold in shops requiring person-to-person transactions. Due to challenges in movement and access, the majority of retail stores in the West Bank and Gaza are small "mom and pop" shop operations. About 7500 of the outlets NBC serves are indirect distribution through the distributors and wholesalers.

Approximately 65% of the company's inputs are sourced locally, the remainder is imported. In the West Bank and Gaza, the challenge of developing efficient, high quality suppliers leads many firms to source

from Israel or other countries. But NBC collaborates with their suppliers to develop local capacity to satisfy large firms' needs in the local market.

NBC's relationship with one of its suppliers, Misk, is one such example. Walid Wahdan, the founder and general manager of Misk, a local printer, said his business has grown from a shop with one machine and one employee in 2000 to 15 machines and 8 employees today, largely as a result of his work from large firms like NBC.²² He originally solely printed small shop signs, but realized no West Bank printers were serving the area's larger companies, so he worked to build relationships with them through their advertising agencies. Large companies now make up over 80% of his business.

Misk has served as NBC's main printing supplier (including billboards, truck siding, and large banners) since 2004 – NBC is Misk's third largest customer. NBC marketing specialist Malek Atshan says that NBC always requests their advertising agency coordinate with Misk because of the high quality of their products and NBC's desire to support local enterprise. Misk estimates the business it generates, in turn, creates business for 10 other suppliers in the West Bank, including carpenters, tailors, and sewers. Misk also recently expanded to begin importing printing machines to sell to other printers in the West Bank.

NBC also works to improve the quality of local designers and advertisers. In conjunction with The Coca-Cola Company's Middle East Business Unit, NBC has hosted 5-6 trainings for West Bank and Gaza firms to build capacity and help develop local advertisers.

Not only does NBC help build capacity of smaller supplier enterprises in Ramallah, it collaborates with its distributors across the West Bank. One of NBC's 8 large distributors, located in the more rural southern region of

the West Bank, is the Mohammad Suliman Ayesh Company (MSA). MSA has been the exclusive distributor of Coca-Cola products for the Hebron area since 1969.

A family business now employing more than 18 men, the company grew gradually. But over the past 10 years, volume has increased by a factor of five, profits are now approximately eight times that in 1998, and the company now not only distributes Coke products, but has expanded to own and operate two grocery stores and a cosmetic store.²³ In 2002, in the wake of a consumer survey, MSA worked with NBC to develop a less expensive sparkling beverage product. MSA employees say this "Club" product has actually increased sales for the higher priced Coca-Cola-branded carbonated sodas. Because the Club products are sold at more points of sale, the personal relationships MSA employees have developed has led to more of these places selling other Coca-Cola products.

The MSA collaboration on the "club" product was made possible by undertaking local consumer research to adapt products to local tastes and economic circumstances. Consumer surveys were carried out through retail outlets by nearly 500 surveyors. The surveyors are mostly university students trained and incentivized to do the work – thereby fulfilling a business need for NBC while simultaneously helping to build local human capital. In response to these surveys, the company introduced the new "club" or "B" brand products that are slightly more affordable, in addition to new types of water and juices, and gallonated water. Distributors interviewed report that the introduction of the club products led to the development of new relationships with vendors and added points of sale, which translated into increased sales of brand name products and higher revenues.²⁴ It is this type of innovation that has allowed the company to expand and increase profits despite not raising consumer prices in nearly 10 years.

Building the Ecosystem for Entrepreneurship: Microsoft

As a provider of information technology, and as a company with more than 700,000 business partners, Microsoft is well suited to facilitate entrepreneurship in many of its forms. The company supports a number of initiatives across the globe to incubate and develop new enterprises from pre-conception through launch.

If entrepreneurship is measured from the initial “spark” of an idea through launch and stable growth, Microsoft is one of a number of companies that works to increase the number of individuals whose ideas spark into venture formation. Recognizing that many of the very best ideas happen when entrepreneurs are still in University, Microsoft has two interrelated programs that help unleash that spark. *DreamSpark* provides students Microsoft professional tools at no charge. With these tools in hand, students are better able to develop their entrepreneurial dreams and many use the resources to create specific technology solutions. The Imagine Cup is an annual student competition hosted by Microsoft to raise awareness, lend legitimacy, and foment innovation around applying technology – specifically creating software solutions – to solve some of the world’s toughest problems. This year hundreds of thousands of students from around the world will compete in five categories: software design, embedded development, game design, digital media, and IT challenges; presenting a range of solutions focused on the United Nations Millennium Development Goals. In 2009, the final round of competition was held in Egypt and this July finalists will gather in Poland.

Additionally, Microsoft support for entrepreneurs goes beyond competition and awards. To help entrepreneurs build skills and successful businesses, Microsoft partners with local governments and communities to establish *Microsoft Innovation Centers*. These centers provide access to resources for software developers,

IT professionals, university students, academic faculties and entrepreneurs.

Today there are 110 Microsoft Innovation Centers in 40 countries, assisting more than one million professionals in the last 4 years to increase their skills, find jobs or create businesses.

Entrepreneur and skills based training includes support of International Youth Foundation’s Education and Employment Alliance. Together with Chevron, GE Foundation, BP, Gap Inc. and USAID, the Education and Employment Alliance offers technical, vocational and life skills, entrepreneurship development, on-the-job training, job placement and enterprise support to disadvantaged and unemployed youth in six Middle Eastern and Asian countries. Since 2003, the Community Technology Skills Program, has provided local grants of cash and software across the MENA region to bring basic technology training to help people prepare for 21st century jobs and build entrepreneurial skills.

Through its *Women in Technology* program, Microsoft builds the capacity of women across the Middle East to develop business acumen and IT skills. Now in 9 countries, Women in Technology is a partnership between Microsoft, the U.S. State Department’s Middle East Partnership Initiative and the Institute for International Education to deliver training to individual women, establish business networks among women entrepreneurs, and build the capacity of 60 local women organizations for sustainable workforce training solutions. Participants are trained on entrepreneurial principles, ICT skills, and professional development skills. By 2010, Microsoft estimates that Women in Technology will have trained more than 10,000 women.

Finally, to help accelerate the success of early stage startups, the Microsoft *BizSpark*™ program, available in over

100 countries, provides entrepreneurs with access to current full-featured Microsoft development tools and production licenses with no upfront costs for three years.

The BizSpark program takes an ecosystem approach that works to bring together investors, advisors, government agencies and entrepreneurs. Entrepreneurs are mostly recruited by a Microsoft Network Partners, who serve as a sponsor and shepherd for the entrepreneur through the BizSpark program. Effective June 2010, there will be an online community for idea exchange and a platform for startups to profile their ventures.

In 2009, Microsoft introduced *BizSpark One* – this program builds on the BizSpark foundation to accelerate the growth of high potential startups through one-to-one relationships with a dedicated Microsoft portfolio manager. This invitation only program is currently available in a select number of countries.

These programs reflect the alignment of Microsoft’s core business need to continually develop new markets and expand product use, purchase and deployment, and start ups’ needs for relatively cheap and accessible technology solutions. The Microsoft BizSpark program reaches the full ecosystem of startup environments, with product access, technical support and mentoring, and providing networking and access to investors, advisors and other mentors.

DreamSpark, the Imagine Cup, other local skills and capacity building programs as well as BizSpark support entrepreneurship development in nearly all phases. From shaping mindsets by raising awareness and lending legitimacy to entrepreneurial risk, to developing skills and business acumen and finally supporting business linkages through networking and BizSpark mechanisms, Microsoft is building a foundation for entrepreneurial ventures across the Middle East and Southeast Asia.

IV. RECOMMENDATIONS

This article explores some of the ways corporate actors are engaging with individuals, private firms or organizations to build ecosystems of entrepreneurship in the Middle East and Southeast Asia. It is our hope that this serves to stimulate conversation and thought about possibilities for future collaboration.

Most companies have both the resources and incentives to support local entrepreneurship development. There are two priority areas for corporations to engage in developing an entrepreneurial ecosystem: 1) Reviewing specific areas of their core business activities and value chains, social or philanthropic investments, or public policy and advocacy programs for further opportunities to engage or leverage resources to support entrepreneurship or, 2) Look for opportunities for collaborative action to support entrepreneurial growth and success.

- 1 *Review opportunities to support entrepreneurship through individual core business activities.*** Many corporate firms already currently operate with an infrastructure or resources that make engagement in this area a sensible, profitable decision. Supporting business linkages for small or medium sized enterprises through their supply chain often provides some of the highest impact opportunities for firms considering initial engagement. Other opportunities include mobilizing financial resources or supporting skills building for small, medium and micro sized business owners.
- 2 *Look for opportunities for collaborative action to support entrepreneurial growth and success.*** Companies can leverage their impact by partnering with each other and with other NGOs and governments. One area where this can be helpful is by supporting entrepreneurship education in schools. A second possibility grounded in collaborative action is to create local funding initiatives to assist in skills building or finance and capital provision in the market. Collaborative efforts enable firms to share resources, spread risk and pool scarce or diverse assets to achieve greater scale and impact in supporting entrepreneurs.

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